



Investing in the blue economy: An ocean of impact potential

The global economy and ecology depend on thriving oceans and clean water resources. Yet, the blue economy is faced with ever-increasing challenges. Oceans are under threat from pollution, population growth and climate change. “Investors can help turn the tide, creating significant positive impact. Neglecting the blue economy could worsen climate change, endanger marine life, and threaten the livelihoods of millions,” states Samy Muaddi, head of emerging markets fixed income at T. Rowe Price.

Muaddi highlights the iconic photo of Earth taken from the Apollo spacecraft in 1972. The image underscores the importance of Earth’s oceans, which cover more than three-quarters of the Blue Planet. The oceans are crucial habitats for numerous animal species and provide food for billions of people.

Two-thirds of the global economy is moderately or highly dependent on ocean resources. More specifically, oceans contribute 2.5 trillion US dollars to the global economy and support over 30 million jobs worldwide, according to the United Nations Environment Programme Finance Initiative.

Additionally, oceans are vital in maintaining our ecological balance and climate. These ‘lungs of the earth’ have a natural ability to regulate the climate, producing half of the oxygen in the atmosphere and absorbing around 30% of carbon dioxide emissions. Moreover, oceans are a vital source of protein for 3 billion people.

A sense of urgency

The importance of the blue economy cannot be overstated. Spanning diverse sectors such as fisheries, tourism, maritime shipping, and renewable energy, the blue economy is pivotal for global trade and sustenance. It also encompasses the availability of freshwater, another point of growing concern.

Muaddi remarks, “I feel a sense of urgency. Since that photo from the Apollo spacecraft, the world’s population has more than doubled. Despite the collective efforts in clean water and ocean initiatives, we are heading towards a global tragedy if we don’t act. Impact investors can make a significant difference here, especially in emerging markets, where the effects of a decline in resources of the blue economy are most acutely felt.”

Opportunities for meaningful impact

Healthy oceans and clean water are key aspects of the well-known Sustainable Development Goals (SDGs) of the United Nations. SDG 6 focuses on clean water and sanitation, and SDG 14 on life below water and clean oceans. Despite their importance, these two goals are among the least funded SDGs.

Muaddi explains, “The investment required to meet the UN SDGs is now estimated at 5 to 7 trillion US dollars in annual investment until 2030. A significant portion of this is linked to healthy oceans and clean water.” To date, however, funding for oceans has been limited, fragmented, and generally focused on mitigating industry impacts, as reported by the Asian Development Bank¹.

Governments and companies are increasingly addressing the threats to the blue economy. The finance industry can play a crucial role by catalyzing investments in projects that support SDG 6 and SDG 14. For investors, this offers ample opportunities to combine much-needed positive impact with financial returns.

An important social challenge: freshwater scarcity

The blue economy’s role in ecology and climate is paramount. Additionally, its social impact is significant as well, particularly in coastal communities. Sustainable practices in fisheries and aquaculture are essential for food security and livelihoods for millions. Moreover, protecting marine ecosystems preserves cultural and environmental heritage, vital for many communities.

A critical component of the blue economy is the availability of freshwater for people, industry, and agriculture. Muaddi states, “75% of our planet may be covered by water, but only 3% of this is freshwater, and merely 1% is suitable for human and industrial consumption.”

Due to population growth, increased economic activity, and climate change, freshwater is becoming increasingly scarce. According to the UN, over 2 billion people already lack access to clean drinking water, especially in emerging markets. Access to clean water is essential for health, food security, poverty reduction, and economic stability. Additionally, good sanitation is often lacking as well.

Investing for the greater good

The shortage of clean water and sanitation disproportionately affects the poorest populations, youth, and women globally. The future appears challenging. Water use has been increasing at more than double the rate of population growth, as per the United Nations. With the global population expected to reach around 10 billion by 2050, this implies greater demand for food and energy, both significant water consumers.

Muaddi notes, “Water scarcity will be one of the top challenges for humanity in the next decade and a major risk to global GDP growth. For instance, the World Resources Institute estimates that around 30% of the world’s GDP will be exposed to high water stress by 2050, with around half of the global population projected to live in water-stressed regions.”

Many of the challenges in the blue economy are interconnected, concludes Muaddi. He believes that investors can make an invaluable difference by investing in freshwater and sanitation projects, as well as in healthy oceans. “The blue economy offers investors ample potential for financial returns while fulfilling commitments to environmental stewardship and social responsibility.”

T. Rowe Price and the International Finance Corporation (part of the World Bank Group) are partnering to grow the blue bond market to address the planetary and societal risks posed by the current underfunding of the blue economy.

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¹<https://www.adb.org/news/features/qa-developing-blue-bond-market-healthy-oceans>

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